

**New Jersey Health Care
Facilities Financing
Authority**

2005 Annual Report

2005 AR NJHCFFA

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Name: The New Jersey Health Care Facilities Financing Authority

D.O.B: 12|20|1972

Address: 22|S. Clinton Avenue| Station Plaza Building #4| Trenton, NJ 08625-0366

PATIENT HISTORY

Current Evaluations:

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The New Jersey Health Care Facilities Financing Authority, the State's primary issuer of municipal bonds for health care organizations, was created in 1972 by an act of the New Jersey Legislature (New Jersey Health Care Facilities Financing Authority Law, P.L. 1972, c. 29) for the purpose of ensuring that New Jersey's not-for-profit health care providers have access to low-cost capital. In 1998, the Authority's statutory powers were expanded to include financing for all health care organizations or components thereof.

As a result, while most of the Authority's financings have been for acute care hospitals, it has also provided capital for nursing homes, assisted living facilities, specialty hospitals, home health agencies, mobile intensive care units, outpatient centers, rehabilitation centers, homes for multi-handicapped individuals and health maintenance organizations. Because of its expanded legislation, the Authority can also finance other types of health care organizations regardless of their tax status such as continuing care retirement communities, management service organizations, blood banks, hospices, day care facilities and any organizations related thereto.

In its history of more than 30 years, over 140 health care organizations throughout the state have used the Authority to get access to low-cost capital.

The Authority can issue both federally tax-exempt and taxable bonds. The interest on all bonds issued by the Authority is exempt from New Jersey taxation.

To Be Completed by Provider:

Mission Statement:

"To ensure that all healthcare organizations have access to financial resources to improve the health and welfare of the citizens of the State."

Notes:

PATIENT HISTORY

Governor's Evaluation:

For more than three decades I have been a New Jersey resident with high hopes for the State and its citizens. As Governor, I now have the ability to pursue those dreams. My administration and I vow to work together to make New Jersey a better, more affordable place to live, work and raise a family. A large part of these goals rely on high quality and affordable health care.

Though this is a time of financial strife, we must find the tools and the resources to fulfill our most fundamental commitments, starting with our commitment to the health of New Jersey's children, families, and citizenry as a whole. The New Jersey Health Care Facilities Financing Authority helps to provide those tools and resources. By providing New Jersey's health care organizations with low-cost access to financial resources, the Authority strives to improve the health and welfare of all the citizens in this State, as stated in its very mission statement.

I promise to always keep our state's health, safety and hope for the future at the forefront of my mind, and I am thankful to have the support of the New Jersey Health Care Facilities Financing Authority with me in all my health care endeavors.

Print Name: Governor Jon S. Corzine

Dated: 4/19/06

PATIENT HISTORY

Chairman's Notes:

On behalf of the Members of the New Jersey Health Care Facilities Financing Authority (NJHCFFA), I am pleased to present the 2005 Annual Report.

2005 remained a financially turbulent time for New Jersey's health care providers. Hospital financial information compiled by NJHCFFA for 2005 shows median operating margins consistently declining. Hospitals received a financial boost in late 2004 from increased Charity Care and Medicare reimbursements, but industry trends - including volume declines, wage pressures and medical denials - offset those gains.

Adding to these hurdles, the need for New Jersey's hospitals to protect themselves from the threat of terrorism creates new and expensive challenges.

In such austere times, the Authority is dedicated to continuing its aid for New Jersey hospitals by providing low-cost access to capital; maintaining and analyzing financial information to identify trends; and serving as a voice to promote policies and practices that support the fiscal strength of this industry.

NJHCFFA has a responsibility not only to the health care community, but also to its bondholders. The Authority protects its bondholders by ensuring that all projects funded by NJHCFFA are carried out as planned, and that all contractual covenants are met.

Such diligence makes NJHCFFA paper highly sought after, and allows the Authority to issue bonds and provide loans with significantly lower interest rates than available from commercial lenders. This benefits New Jersey's health care providers and, in turn, the beneficiaries of their services, the residents of New Jersey.

All indications are that a majority of the state's health care providers will continue to face a difficult near-term financial environment, and New Jersey and its health care community are fortunate to have the NJHCFFA's dedicated staff, membership and mission working on its behalf.

Together, the Department of Health and Senior Services (DHSS), the NJHCFFA and the Corzine Administration will work to weather the rough seas ahead, providing health care organizations with sound financial resources and the citizens of New Jersey with premier health care.

I invite you to take a closer look at the activity of the NJHCFFA during the year 2005 in the pages that follow.

Print Name: Commissioner Fred M. Jacobs, M.D., J.D. **Dated:** 5/1/06

BIO REPORT

The Authority, consisting of seven members, meets regularly on a monthly basis and convenes special meetings when necessary to accommodate the financing needs of potential borrowers. Three of the seven Authority Members are ex-officio: the Commissioner of Health and Senior Services, the Commissioner of Human Services and the Commissioner of Banking and Insurance. By law, the Commissioner of Health and Senior Services serves as the Authority Chairman.

FRED M. JACOBS, M.D., J.D., Chairman

(serves during his tenure as Commissioner of the Department of Health and Senior Services)

Fred M. Jacobs, M.D., J.D., was appointed Commissioner of the New Jersey Department of Health and Senior Services by Acting Governor Richard J. Codey in December 2004 and was confirmed in February 2005. Dr. Jacobs received his bachelor's degree from Colgate University and his medical degree from the University of Miami School of Medicine where he was elected to the Alpha Omega Alpha Honor Society. He trained in internal medicine at Maimonides Medical Center and Mt. Sinai Hospital in New York City and completed a pulmonary research fellowship at the University of California San Francisco Medical Center, and a Chief Residency in pulmonary disease at Kings County Hospital Center in New York. He is Board Certified in both Internal Medicine and Pulmonary Disease, and he is a Fellow of the American College of Physicians, the American College of Chest Physicians and the American College of Legal Medicine.

In 1969, he joined the staff at Saint Barnabas Medical Center in New Jersey where he served as Chief of Pulmonary Disease and Medical Director of the Intensive Care Unit and was elected President of the Medical Staff in 1987. Subsequently, he became Senior Vice President for Medical Affairs at Saint Barnabas, and later, Executive Vice President for Medical Affairs for the Saint Barnabas Health Care System.

Dr. Jacobs was appointed to the New Jersey State Board of Medical Examiners by then Governor Thomas Kean in 1989 and was reappointed by Governor James Florio in 1993. He served as President of the Board from 1993 to 1995.

Dr. Jacobs has also held many faculty positions, including Clinical Associate Professor of Medicine at the University of Medicine and Dentistry of New Jersey, New Jersey Medical School. In 1990, Dr. Jacobs graduated from Rutgers University School of Law in Newark. He is admitted to the Bar of the States of New Jersey and Florida.

JAMES W. SMITH, JR., Member

(serves during his tenure as Acting Commissioner of the Department of Human Services)

James W. Smith, Jr. was named Acting Commissioner of the Department of Human Services by Governor Jon S. Corzine on July 11, 2006. Having also served in this role from 2001 to 2002, Mr. Smith returns to the position from his post as Director of the Division of Addiction Services. In his experience, he has served in a variety of capacities at the Department of Human Services, including Deputy Commissioner, Assistant Commissioner for Public Affairs, Acting Director of the Division of Youth and Family Services, Acting Director of the Division of Developmental Disabilities, and Special Assistant to former Commissioner William Waldman. He also served as Special Advisor to Joseph A. Califano, a former U.S. Secretary of Health, Education and Welfare, on a special project associated with legislation, policy development and operations management of alcoholism and drug prevention and treatment programs.

Mr. Smith received his Master's degree in Social Work from Rutgers Graduate School of Social Work and a Bachelor of Arts degree in Sociology from Lycoming College.

STEVEN M. GOLDMAN, Member

(serves during his tenure as Commissioner of the Department of Banking and Insurance)

Steven M. Goldman was sworn in as Commissioner of the New Jersey Department of Banking and Insurance on March 24, 2006. Prior to his nomination by Governor Jon S. Corzine, Mr. Goldman was a senior member and 22-year veteran of Sills Cummis Epstein & Gross PC, where his focus revolved around corporate law, specifically: mergers and acquisitions, banking and finance, joint ventures, and leveraged buy-outs.

Mr. Goldman earned a Masters of Law in taxation from New York University School of Law, a Jurist Doctorate from the George Washington University School of Law and an Artium Baccalaureatus in political science from Boston University. He lives in Woodcliff Lake with his wife; they have three children.

Report Sign-Off:

FJ:

JS:

SG:

BIO REPORT

The remaining four seats are filled by Public Members, appointed by the Governor with the consent of the State Senate. They serve staggered four-year terms. Roles such as Vice Chair, Secretary, Treasurer and committee membership are all nominated for and voted upon by the seven Authority Members. At the time of print, there are currently two vacant Public Member seats at the Authority.

GUSTAV E. ESCHER, III - Vice Chairman

(term of office expired April 30, 2006; he has been nominated for reappointment and continues to serve while his reappointment is pending)

Mr. Escher is Vice President of New Jersey Public Finance at PNC Bank, located in East Brunswick. Prior to joining PNC, he was affiliated with several leading investment banks and commercial banks and provided financial advisory services in both the housing and governmental sectors. Mr. Escher also held executive positions at several consulting firms, a State financing agency, and a local governmental unit.

Mr. Escher received both his Masters degree in Architecture and Urban Planning and his Bachelor of Arts degree from Princeton University. He resides in Princeton, New Jersey.

MOSHE COHEN Ph. D. - Treasurer and Secretary

(term of office expires April 30, 2009)

Dr. Cohen is a Principal State Certified General Real Estate Appraiser for Valuation Solutions, specializing in Real Estate Finance, Tax Appeals and Condemnation. He began his professional career as an economist for the Federal Reserve Bank of New York, after which he began serving as a real estate finance consultant to large corporations, municipalities, private investors and developers. He then became a Professor of Finance and helped found the Finance Graduate Center of Penn State University (Malvern Campus), a program designed to provide graduate training to middle managers and corporate executives. Just prior to his current consulting position, Dr. Cohen was President and Portfolio Manager of Forward Asset Management, Inc.

Dr. Cohen received a Doctorate in Business and Applied Economics, and a Masters degree in Finance, both from the Wharton School at the University of Pennsylvania. He earned his Bachelor's degree in Economics and Statistics from Tel-Aviv University. He currently resides in Randolph, New Jersey.

Second Opinions:

Ex-Officio Members may designate long-term representatives to attend meetings and vote on their behalf. Below is a list of the representatives delegated by the Ex-Officio Members.

Ed Tetelman - New Jersey Department of Health and Senior Services
Freida Phillips - New Jersey Department of Human Services
Maryann Kralik - New Jersey Department of Banking and Insurance

Notes:

SECONDARY BIO REPORT

Senior Care:

The Authority staff is organized under four division heads collectively called Senior Staff. Each of the four divisions is described below.

- The **Office of the Executive Director** actively pursues and promotes Authority business in the industry as well as directs Senior Staff.
- The **Project Management** division works with the borrower to find the most appropriate financing vehicle and, along with Operations and Finance, coordinates the transaction to closing.
- The **Operations and Finance** division invests bond proceeds, processes construction and other requisitions, monitors all trustee-held accounts, and handles post-closing activities throughout the term of the bonds. It also manages the Authority's funds.
- The **Research, Investor Relations and Compliance** division evaluates the impact of Federal and State policy initiatives; monitors the financial and operational performance of borrowers; facilitates the flow of information among borrowers, investors, rating agencies, insurers, and other professional firms; and monitors compliance with bond covenants.

Dennis P. Hancock

Deputy Executive Director and Director of Project Management

Mr. Hancock has over 18 years of experience at the Authority. However, during the period from 1983 to 1992, Mr. Hancock was a Vice President with Van Kampen Merritt and William E. Simon and Sons, two investment banking firms, specializing in health care finance. Prior to joining the Authority in 1978, Mr. Hancock had been a certified public accountant with the firm Ernst & Whinney (later Ernst & Young), where he was on both the audit and consulting staffs providing services to health care organizations. Mr. Hancock received his Bachelor of Sciences degree from Virginia Polytechnic Institute and State University.

James L. Van Wart

Director of Operations and Finance

Mr. Van Wart has more than 14 years of experience with the Authority. Prior to joining the Authority, he worked extensively in various financial management positions with State government, private industry and public accounting. Some of these positions included Controller of Leisure Technology Corp. and CFO of Building and Land Technology Corp. (both publicly traded companies), as well as Senior Accountant at Arthur Andersen and Co. Mr. Van Wart was also a Senior Investigator in the Office of the Attorney General, where he led the investigations of companies seeking to obtain casino licenses including Golden Nugget, Showboat and the Sands. Mr. Van Wart received a Bachelor of Science degree in Accounting from St. Peters College in Jersey City.

Stephen M. Fillebrown

Director of Research and Investor Relations and Compliance

With more than 20 years of experience with the Authority, he is responsible for the research and analysis of policy issues affecting health care financing, operation of the agency's monitoring databases, and the agency's investor relations activities. He currently serves on the board of the National Council of Health Facilities Financing Authorities. He received a Bachelor of Arts degree in Economics from Bucknell University and a Master of Arts degree in Public Policy Analysis from the University of Pennsylvania.

Staff On Hand:

Office of the Executive Director

Mark E. Hopkins, Executive Director
Carole Conover, Executive Assistant & Office Manager
Robin Piotrowski, PHR, CPS, Human Resources Manager
Stephanie Bilovsky, Communications Specialist
Evelynne A. Burroughs, Office Management Assistant
Lorraine Donahue, Office Management Assistant

Division of Project Management

Dennis P. Hancock, Deputy Executive Director & Division Director
Louis R. George, Project Manager
William McLaughlin, Project Manager
Suzanne K. Walton, Project Manager
Mae C. Jeffries-Grant, Administrative Assistant

Division of Operations & Finance

James L. Van Wart, Division Director
Michael B. Ittleson, Controllor
Bernard J. Miller, Jr., Construction Manager
Wanda L. Lewis, Senior Account Administrator
Ronald S. Marmelstein, Senior Account Administrator
Robert A. Day, Account Administrator
Marjorie P. McAvoy, Accountant
Diane Johnson, Assistant Account Administrator
Anthony M. Gennari, Assistant Account Administrator
Andreea Milosovici, Assistant Account Administrator
Barbara Koozin, Administrative Assistant

Division of Research, Investor Relations & Compliance

Stephen M. Fillebrown, Division Director
Susan M. Tonry, CPA, Assistant Division Director
Emerson E. Sullens, Information Technology Specialist
Priscilla I. Copper, Database Administrator & Administrative Asst.

REPORT OF THE FACULTY

Statement of the Executive Director:

Since its formation in 1972, the Authority has provided over \$5.5 billion in financing to New Jersey's health care organizations, making it one of the largest issuers of tax-exempt health care bonds in the country. Having provided approximately \$450 million in financing for nine different health care organizations in 2005, the New Jersey Health Care Facilities Financing Authority continues to fulfill its mission "[t]o ensure that all health care organizations have access to financial resources to improve the health and welfare of the citizens of the State."

The Authority Members and staff, however, are not satisfied merely fulfilling the Authority's legislatively defined mission. With the ongoing encouragement and support of the Governor's office and the Department of Health and Senior Services, our goals have evolved. In addition to providing access to capital, the Authority collects and disseminates information on statewide financial and performance medians to help the State monitor the financial condition of its health care delivery system, and advocates on the national level to preserve and improve financing opportunities for health care organizations.

Our eminently qualified Authority Members are advised by staff with expertise in underwriting, accounting, policy analysis, data analysis, project management and public finance law. In fact, at the end of 2005, the average Authority staff member had worked nearly twelve years at the Authority. Such lengthy industry experience is one of the reasons why our staff members are often asked to participate in statewide and national health care finance discussions, which ultimately help the Authority to continually improve its financing products and services for New Jersey health care organizations.

In 2005, these improvements came largely in the form of cost reductions to the borrower. Well aware of the narrow operating margins maintained by most New Jersey health care organizations, the Authority Members approved the elimination of the initial fee for almost all financings and reduced the annual fees by over 3%. To further cut borrowing costs, we eliminated the requirement that borrowers reimburse the Authority for fees charged by the Office of the Attorney General for work performed on financings. Additionally, the Equipment Revenue Note Program became more cost effective due to a reduction in annual fees of over 27% to 7.5 basis points and the selection of a single bond counsel for a prenegotiated discounted fee. Staff also streamlined procedures to ease and quicken health care financing for New Jersey's borrowers.

I present to you the Authority's 2005 Annual Report in which you will find detail on each of the transactions completed during the year. As I look forward to continuing these efforts through 2006 and beyond, I want to express my appreciation to the Authority Members and staff and for their talent and dedication. I would also like to acknowledge my enthusiasm to work with Governor Corzine and the capable people in his Administration.

Signed: _____

Mark E. Hopkins

Bio Report:

Mark E. Hopkins was appointed Executive Director of the Authority effective August 2, 2004. Prior to joining the Authority, Mr. Hopkins served as Deputy Attorney General where he represented the New Jersey Educational Facilities Authority and the New Jersey Housing and Mortgage Finance Agency as issuer counsel. Before joining the Office of the Attorney General, Mr. Hopkins was an associate at the law firm of McCarter & English in the Public Finance Practice Group. Immediately following law school, Mr. Hopkins clerked for the Honorable Eduardo C. Robreno in the United States District Court for the Eastern District of Pennsylvania. Mr. Hopkins earned a Bachelor of Arts degree from Rutgers College in New Brunswick. He earned his Juris Doctor Degree with high honors from Rutgers University Law School at Camden. Prior to attending law school, Mr. Hopkins was the Artistic Managing Director of the Villagers Theater in Somerset, New Jersey.

ANNUAL EXAM: 2005 Review

PROCEDURAL CHANGES

X

The Authority formalized several policy changes in 2005, some to facilitate a quicker response to borrower requests and others to enact changes made at the State level.

In one change, the Authority revised its policy to allow an authorized officer of the Authority to, upon the request of a borrower, approve changes to both **auction and variable rate adjustment periods**. In prior years, that change required a meeting action by the Authority's Members, a delay that could have permitted a substantial impact on the interest cost incurred by the borrower.

The Authority also changed its policy regarding the annual audit procedure. Pursuant to Executive Order No. 122 (McGreevey), the Authority established an **Evaluation Committee** and an **Audit Committee** in 2005, initializing a two-committee process to ensure that the Authority obtain an independent audit of its financial statements. Under the new procedure, the Evaluation Committee is responsible for: drafting and distributing requests for proposals ("RFPs") in solicitation of an independent auditor, evaluating proposals, and providing a final written report to the Audit Committee presenting the conclusions of the evaluation for their consideration. The Audit Committee then reviews the report and selects an independent and qualified auditor for the Authority's annual audit. The Audit Committee also assists in the financial reporting and in the auditing process itself.

In further policy changes, New Jersey Prevailing Wage language, pursuant to the **New Prevailing Wage Act**, was added to Authority documents in 2005. The new language requires that construction workers on Authority-financed projects must receive the appropriate basic hourly rate of pay and bona fide benefit rate of contribution, and it enables the Department of Labor and Workforce Development to establish and enforce prevailing wage levels, specific to craft and region, in order to safeguard the workers' efficiency and protect them from unfair competition.

INFORMATION DISSEMINATION

X

The Authority's outreach efforts continued in 2005, ranging from involvement in national organizations affecting health care finance, to conference presentations, to educational health care events.

On the national front, Steve Fillebrown, the Authority's Director of Research, Investor Relations and Compliance, was elected to serve on the Board of Directors for the **National Council of Health Facilities Finance Authorities**. The National Council was incorporated in 1987 to promote the common interests of the governmental issuing Authorities that provide a capital financing resource for hospitals and health care facilities. Mr. Fillebrown serves on the board with six other individuals, all from financing authorities across the country.

Authority staff members also presented at three **conferences** during 2005. On June 14th, Mark Hopkins and Susan Tonry spoke at the *Healthcare Financial Management Association: Current Trends in Healthcare Finance* conference held in Woodbridge. Mr. Hopkins presented on Financing Options while Ms. Tonry discussed covenant compliance. On October 20th, Mark Hopkins sat as a panelist at the *New Jersey Institutional Investors Forum VIII* at the Performing Arts Center in Newark. On November 10th, Jim Van Wart spoke at the *21st Annual Construction Forecast Seminar* in Trenton sponsored by the New Jersey Alliance for Action. Mr. Van Wart forecasted the 2006 and 2007 construction projects to be financed by the Authority.

The Authority helped sponsor a conference as well. On September 30th, the Department of Health and Senior Services' **First Annual Asthma Summit** was held at the Westin Princeton at Forrestal Village. The Summit, attended by over 230 healthcare professionals, promoted a comprehensive statewide "Best Practices for Asthma Care," based on national and local models, including a focus on related health disparities and promising practices for their improvement. The Summit was also co-sponsored by the Central New Jersey Maternal and Child Health Consortium, the Institute of Medicine and Public Health of New Jersey, Inc. and the Pediatric/Adult Asthma Coalition of New Jersey.

ANNUAL EXAM: 2005 Review

PRODUCT GROWTH

X

In 2005, the Authority made two major improvements to its product line in order to better meet the financing needs of New Jersey's health care providers.

The Authority streamlined its **Equipment Revenue Note Program** ("ERN") by reducing procedural redundancies thereby minimizing the time needed to finance and/or refinance capital equipment for eligible borrowers. The program uses one "Request for a Negotiated Sale" for all issues completed during the year and allows the borrower to bring a bond purchaser to the table, eliminating the time needed to obtain competitive bids. Also adding to the program's efficiency and cost-effectiveness is the selection of a single bond counsel firm to handle all ERN financings for a two-year period.

The Authority also developed a new product in 2005 called the **Terrorism Preparedness Program** ("T-Prep"). After receiving feedback from the Authority's Hospital CFO panel and discussing target-hardening options with representatives from the New Jersey Domestic Security Task Force, the Authority developed the program to provide a reduced fee financing option for projects designed to protect a hospital from a terrorist attack. It can be used by hospitals responding to security recommendations made by the New Jersey Domestic Security Task Force whose projects are not reimbursed with State or Federal funds. Projects financed through this program have no initial fees and an annual fee of only 5 basis points.

PERSONNEL ATTENDING

X

In 2005, the Authority internally reorganized departments, celebrated several employee landmarks and began separate annual trainings on ethics and diversity/harassment practices in the offices.

In terms of reorganization, the Authority underwent **internal restructuring** to more appropriately reflect the Authority's needs and tasks. The compliance portion of the former "Division of Operations" is now a part of the "Division of Research and Investor Relations," to place the data collection and analysis in one department. This freed the "Division of Operations" to focus its attention on the financial dealings of the Authority as the newly titled "Division of Operations and Finance."

The Authority staff held its first annual **Diversity Training and Harassment Prevention** session in 2005, in accordance with Governor Codey's Executive Order No. 41. Staff discussed sensitivity and legal considerations to be upheld in the workplace, and purchased an educational video on diversity that each employee is required to watch, including new hires.

In addition staff also participated in its first annual training on **Ethics** to clarify the State's ethics laws, regulations and policies as they apply to Authority employees. Topics discussed included the denial of gifts from interested business parties, disclosure of outside business interests, and participation in political and/or other outside events.

In 2005, the Authority bid farewell to two long-term Authority representatives:

*· **John Kerr** began serving as the Authority's Department of Banking and Insurance designated representative in 1997. Mr. Kerr represented Commissioners Elizabeth E. Randall, Jaynee LaVecchia, Karen L. Suter, and Holly C. Bakke at Authority meetings. He provided guidance on a variety of subjects including traditional insurance programs, captive insurance companies, self-insurance trusts, and pension issues. His final Authority meeting was on January 27th.*

*· Public Member **Noreen White** faithfully served as an Authority Public Member beginning in December of 1994. Ms. White joined the Authority as its first female Public Member and held elected positions as the Authority's Treasurer and Assistant Treasurer. She served as the Authority's Vice Chairperson for eight of her last nine years of service, and she sat on the Authority's Finance Committee for the majority of her term. Her final meeting as an Authority Member was held on December 15, 2005.*

The Authority staff and Membership presented Ms. White and Mr. Kerr each with a Resolution of Appreciation honoring their work with the Authority.

2005 NJHCFFA Issues

In 2005, the Authority issued bonds in the amount of \$414,650,000 on behalf of eight health care organizations. In addition, the Authority issued two loans totaling \$26,500,000 under its Capital Asset Loan Program.

Funds generated from the issues were used as follows: 82% for construction, renovation, and/or acquisition projects at health care facilities across the state, 6% for refinancing, 3% for issuance costs, 3% for debt service reserves, and 6% for capitalized interest. Only one out of the eleven 2005 series involved a refinancing, while four of 2004's thirteen transactions involved some refunding.

The interest rate structure for the 2005 issues also showed some changes from the prior year. In 2004, eleven (\$402,700,000) of the year's thirteen series used a variable interest rate structure, of which five (\$241,600,000) were auction rate transactions. In 2005, only six (\$117,760,000) of the Authority's eleven series had variable rates, and only one of those series (\$30,300,000) was issued in an auction rate format. The use of variable rate structures, therefore, declined somewhat, especially those using auctions to determine the interest rate.

NJHCFFA 2005 Issues

2005 Completed Bond Issues	Issue Structure	Par Amount
Cerebral Palsy Center	Capital Asset Loan Program	\$1,500,000
Recovery Management Systems	Variable rate: reset weekly	\$13,860,000
AtlantiCare Regional Medical Center	Capital Asset Loan Program	\$25,000,000
Avalon at Hillsborough, Series A	Fixed rate	\$10,880,000
Avalon at Hillsborough, Series B	Fixed rate; Federally taxable	\$1,175,000
RWJ at Hamilton, Series A	Multi-modal; Initially 7-day auction rate mode	\$30,300,000
RWJ at Hamilton, Series B	Fixed rate	\$65,375,000
NJ Dept. of Human Services (Greystone)	Fixed rate	\$186,565,000
Children's Specialized Hospital, Series A	Fixed rate	\$32,895,000
Children's Specialized Hospital, Series B	Variable rate: reset weekly	\$24,000,000
COMP VI: AtlantiCare Regional Medical Center	Variable rate: reset weekly	\$25,000,000
COMP VI: Christian Health Care Center	Variable rate: reset weekly	\$6,600,000
COMP VI: JFK Medical Center	Variable rate: reset weekly	\$18,000,000
	Debt Issued in 2005:	\$441,150,000

2005 NJHCFFA Issues

The NJHCFFA's complete
2005 Audited Financial Statements
are available online at:

www.state.nj.us/njhcffa/pdf/2005annualreport.pdf

or

www.njhcffa.com/njhcffa/pdf/2005annualreport.pdf

The Statements may also be obtained by
contacting the Authority at (609)292-8585.

***The following pages provide a summary of each of
the projects funded by the NJHCFFA in 2005.***

2005 NJHCFFA Issues

Notes:

2005 NJHCFFA Issues

NAME: Recovery Management Systems, Inc.
Series 2005

AMOUNT OF ISSUANCE: \$13,860,000

DELIVERY DATE: March 18, 2005

LOCATION: Marlboro, New Jersey

CURRENT FACILITY:

Recovery Management Systems Inc. was formed by Discovery Institute and The New Hope Foundation, two non-profit rehabilitation organizations that treat substance abuse and addictive behaviors. Recovery Management's sole purpose is to own and manage a facility that will be used by the two organizations.

<http://www.discoverynj.com/>

<http://www.newhopefoundation.org/>

Financing Details

Final Maturity:	March 1, 2030
Ratings:	"A2/VMIG-1" by Moody's
Enhancement:	Commerce Bank, N.A. Letter of Credit
Interest Rate:	Initially 1.98%, reset weekly
Borrower's Counsel:	Cureton, Caplan, P.C.
Bond Counsel Firm:	Obermayer Rebmann Maxwell & Hippel, LLP
Underwriter:	Commerce Capital Markets, Inc.

Project Description:

The proceeds of the bonds will be used to construct and equip a 260-bed facility to house two separate residential addiction treatment programs including common areas such as recreational, medical, reception and commissary facilities.

2005 NJHCFFA Issues

NAME: The Avalon at Hillsborough
Series 2005A & 2005B

AMOUNT OF ISSUANCE: \$12,055,000
(Series 2005A = \$10,880,000; Series 2005B = \$1,175,000)

DELIVERY DATE: March 26, 2005

LOCATION: Hillsborough, New Jersey

CURRENT FACILITY:

Pilgrim River, L.L.C. is a New Jersey limited liability company formed for the purpose of owning and operating the new Avalon at Hillsborough. Pilgrim River is owned by the Pelligrino and Rivero/Dugenio families, who make up Bridgeway Senior Healthcare and who have been successfully providing senior living services for over 23 years. Together, the families own and operate Bridgeway Care Center (a skilled nursing facility), the Pavilion at Bridgeway (a rehabilitation facility), and the Avalon at Bridgewater (an assisted living residence).

<http://www.bridgewaycare.com/>

Financing Details

Final Maturity:	Series A July 1, 2035 Series B July 1, 2014
Ratings:	Unrated
Security:	Mortgage lien on the facility and interest in the gross revenues
Interest Rate:	7.37% (combined True Interest Cost)
Borrower's Counsel:	McCarter & English
Bond Counsel Firm:	DeCotiis, Fitzpatrick, Cole & Wisler, LLP
Underwriter:	Herbert J. Sims & Co., Inc.

Project Description:

The proceeds of the bonds will be used to fund the construction, equipping and start-up costs for a new 81-unit assisted living facility to be known as The Avalon at Hillsborough (A Bridgeway Assisted Living Residence). Ninety-seven beds will be staffed, of which 19 are intended for residents with Alzheimer's Disease and related dementia. The new facility will be located on a five-acre site in Somerset County.

2005 NJHCFFA Issues

NAME: Robert Wood Johnson Univ. Hosp. at Hamilton
Series 2005A & Series 2005B

AMOUNT OF ISSUANCE: \$95,675,000
(Series 2005A = \$30,300,000; Series 2005B = \$65,375,000)

DELIVERY DATE: July 14, 2005

LOCATION: Hamilton, New Jersey

CURRENT FACILITY:

Robert Wood Johnson University Hospital at Hamilton ("RWJ at Hamilton"), located on a 67-acre campus, provides comprehensive acute care and outpatient services. With over 1,750 employees and over 600 physicians, the staff represents more than 30 medical specialties. In 2004, RWJ at Hamilton was awarded the prestigious Malcolm Baldrige National Quality Award, the top honor an organization can receive for quality management and achievement in the United States.

<http://www.rwjhamilton.org/>

Financing Details

Series A:

Final Maturity: July 1, 2024
Ratings: "AAA" by
S&P and Fitch
Enhancement: Insured by Financial
Security Assurance, Inc.
Interest Rate: Initially 2%, reset weekly

Series B:

Final Maturity: Series B July 1, 2035
Ratings: "AA" by S&P and Fitch
Enhancement: Insured by Radian
Asset Assurance, Inc.
Interest Rate: 5%, All-In Interest Cost

Both Series:

Borrower's Counsel: Norris, McLaughlin &
Marcus, P.A.
Bond Counsel Firm: DeCotiis, Fitzpatrick,
Cole & Wisler, LLP
Underwriter: Wachovia Securities

Project Description:

The proceeds of the bonds will be used to currently refund bonds issued in 1994 through the Economic Development Authority, and to fund the construction and equipping of a new 4-story patient tower on the hospital campus which will provide for 64 medical surgical beds and new loading and receiving areas, as well as other various building improvements.

2005 NJHCFFA Issues

NAME: NJ Department of Human Services
(Greystone Park Psychiatric Hospital Project)
Series 2005

AMOUNT OF ISSUANCE: \$186,565,000

DELIVERY DATE: September 8, 2005

LOCATION: Trenton, New Jersey

CURRENT FACILITY:

The New Jersey Department of Human Services (DHS) is the State's social services agency, serving more than one million of New Jersey's most vulnerable citizens, or about one of every eight New Jersey residents. Comprising roughly one-quarter of the State's workforce and budget, DHS is broken up into divisions, including The Division of Mental Health Services (DMHS), which sets mental health policy, contracts with 120 community mental health agencies, and operates six psychiatric hospitals throughout the state, including the Greystone Park Psychiatric Hospital.

<http://www.state.nj.us/humanservices/>

Financing Details

Final Maturity Date:	September 15, 2028
Ratings:	"AAA" by Fitch and S&P, "Aaa" by Moody's
Enhancement:	Insured by Ambac Assurance Corporation
Interest rate:	4.46%, All-In True Cost
Borrower's Fin. Advisor:	Capital Financial Advisor, Inc.
Bond Counsel Firm:	Obermayer Rebmann Maxwell & Hippel, LLP
Lead Underwriter:	J.P. Morgan Securities Inc.

Project Description:

The proceeds from this sale will be used for the completion of a replacement psychiatric hospital that will house approximately 450 patients, administrative offices and other ancillary facilities. Proceeds will also be used to complete renovations on several cottages on the campus, housing approximately 60 residents.

2005 NJHCFFA Issues

NAME: Children's Specialized Hospital
Series 2005A & Series 2005B

AMOUNT OF ISSUANCE: \$56,895,000
(Series 2005A = \$32,895,000; Series 2005B = \$24,000,000)

DELIVERY DATE: November 1, 2005

LOCATION: Mountainside, New Jersey

CURRENT FACILITY:

Children's Specialized Hospital, an affiliate member of the Robert Wood Johnson Health System, is the largest pediatric rehabilitation hospital in the United States. The Hospital provides a wide array of medical, developmental, educational and rehabilitative services for infants, children, adolescents and young adults. Children's Specialized Hospital currently operates in six locations, all in New Jersey, namely: Mountainside (the main campus), Fanwood, Toms River, Roselle Park, Hamilton, and Newark.

<http://www.childrens-specialized.org/>

Financing Details

Series A:

Final Maturity: July 1, 2036
Ratings: "Baa3" by Moody's and "BBB-" by Fitch
Enhancement: None
Interest rate: 5.33%, Net Interest Cost

Series B:

Final Maturity: July 1, 2036
Ratings: "Aaa/VMIG-1" by Moody's
Enhancement: Wachovia Bank, N.A.
Letter of Credit
Interest Rate: Initially 2.55%, reset weekly

Both Series:

Borrower's Counsel: McCarter & English
Bond Counsel Firm: DeCotiis, Fitzpatrick, Cole & Wisler, LLP
Underwriter: Wachovia Securities

Project Description:

The proceeds of the bonds will be used to fund the construction of a 130,000 square-foot, five-level building to house the relocation of 60 comprehensive pediatric rehab beds from the Mountainside campus. The new facility will be located in New Brunswick next to the Bristol-Myers Squibb Children's Hospital and the soon to be completed Child Health Institute of New Jersey Research Center. The three facilities will form the state's first comprehensive pediatric center of excellence.

2005 NJHCFFA Issues

Variable Rate COMPOSITE Program

Total Amount of Issuance: \$49,600,000

The Authority's Variable Rate Composite Program or "COMP Program" enables qualified health care borrowers to access tax-exempt and/or taxable capital markets at variable interest rates with shared issuance costs. Documents are standardized and bonds can be marketed for more than one borrower at a time, reducing costs of issuance for access to the capital markets. Three borrowers participated in this sixth tranche of the COMP program.

AtlantiCare Regional Medical Center Project Series 2005 A-1 \$25,000,000

AtlantiCare Regional Medical Center, formerly known as Atlantic City Medical Center, is a not-for-profit hospital with 581 beds. In addition to comprehensive cancer and heart centers, AtlantiCare provides the region's only Level II Trauma Center and its only neonatal intensive care unit. It has two operating divisions: City Campus located in Atlantic City and Mainland Campus located in Pomona.

<http://www.atlanticare.org/armc/>

Final Maturity: July 1, 2030
Rating: "Aa2/VMIG-1" by Moody's
Enhancement: Wachovia Bank, N.A. Letter of Credit
Initial Interest: 3.25%

Proceeds will finance an expansion and renovation project at the Medical Center's City Division including the construction of a new 7-story addition and renovations to the existing hospital space.

Christian Health Care Center Project Series 2005 A-2 \$6,600,000

Christian Health Care Center is a non-profit organization that provides a continuum of elder-care and mental-health services with Christian principles. Facilities and services include a nursing home, an assisted-living facility, a residence and apartments for independent seniors, adult day care, an inpatient hospital for adult and geriatric patients, outpatient mental-health services, an inpatient nursing facility with behavioral-management treatment, counseling centers, and a partial-hospitalization program to treat adults with a developmental disability and a co-existing psychiatric disorder.

<http://www.christianhealthcare.org/>

Final Maturity: July 1, 2035
Rating: "A2/VMIG-1" by Moody's
Enhancement: Valley National Bank, N.A. Letter of Credit
Initial Interest: 3.29%

The proceeds will be used to finance a portion of the construction of a two-story psychiatric facility addition. Proceeds will also be used to finance renovation and construction projects at the long term care facility and acquire property adjacent to the Center's campus to reconfigure the entrance to the facility.

JFK Medical Center Project Series 2005 A-3 \$18,000,000

JFK Medical Center, a non-profit 441-bed hospital, is one of the largest in central New Jersey. An affiliate of the Solaris Health System, JFK offers special services through the adjacent 94-bed JFK Johnson Rehabilitation Institute and other centers of excellence such as: The New Jersey Neuroscience Institute, specializing in complex neurological disorders; The JFK Imaging Center, with an open-air MRI and Breast Center; and centers dedicated to cancer, fitness and family medicine.

<http://jfkmc.org/index.htm>

Final Maturity: July 1, 2030
Rating: "Aa2/VMIG-1" by Moody's
Enhancement: Wachovia Bank, N.A. Letter of Credit
Initial Interest: 3.25%

The proceeds will be used to finance and/or reimburse the Medical Center for the costs of building improvements and various items of equipment for hospital use, including: renovations to the Access Center, dietary department, radiology department, and nursing unit; major information technology equipment purchases; and, furniture and equipment for use in various hospital departments.

All bonds in the COMP Program had a Delivery Date of December 20, 2005 and have a variable rate structure with a weekly reset period. DeCotiis, FitzPatrick, Cole & Wisler, LLP served as bond counsel for the three series of bonds, and PNC Capital Markets served as the underwriter/remarketing agent for the transactions.

2005 NJHCFFA Issues

Capital Asset Loan Program

Total Amount Loaned: \$26,500,000

The Authority's Capital Asset Loan Program ("CAP") is designed to take advantage of bonds issued prior to the 1986 changes in the tax laws. In September of 1985, the Authority issued \$100 million of variable rate demand revenue bonds in four separate \$25 million dollar series, known as the Series A-D Bonds, to create a pool of funds that can be loaned to eligible health care providers to fund capital projects. Loans under the program are continuously repaid, making fresh funds available for other health care organizations in need of capital. Such a structure is called a revolver pool. The loans carry a variable interest rate that is reset weekly. Loan repayments are made monthly on a level principal basis; interest is charged on drawn down proceeds.

AtlantiCare Regional Medical Center \$25,000,000

AtlantiCare Regional Medical Center, formerly known as Atlantic City Medical Center, is a not-for-profit hospital with 581 beds. In addition to comprehensive cancer and heart centers, AtlantiCare provides the region's only Level II Trauma Center and its only neonatal intensive care unit. It has two operating divisions: City Campus located in Atlantic City and Mainland Campus located in Pomona.

<http://www.atlanticare.org/armc/>

Delivery Date: *March 30, 2005*

The loan proceeds, together with other monies, will finance construction costs and equipment purchases related to the Medical Center's Emergency Department and OB/GYN Mainland Expansion Project.

The Children's Therapy Center \$1,500,000

The Children's Therapy Center, also known as the Cerebral Palsy Center of Bergen County, Inc., is a 501(c)(3) organization that provides therapy and assistive technology evaluations and treatment, as well as educational programming for neurologically and physically impaired children and children with special needs. The Center serves residents of northeastern New Jersey from its main campus in Fair Lawn, Bergen County and through off-site, school-based therapy services to the Fair Lawn School District.

http://www.geocities.com/the_childrens_therapy_center/

Delivery Date: *January 12, 2005*

The loan proceeds will finance the construction of a 7,000 square-foot addition to the Center's existing facility and renovate existing space. The project includes: the construction of new classrooms; the expansion of occupational, physical and speech therapy treatment areas; the addition of a parent waiting room and parent/staff conference room; and, various upgrades to the physical plant.

As provider of the credit and liquidity support for the CAP loans, JPMorgan Chase Bank plays an integral role in the loan approvals and in determining the term and security for the loans.

The CAP was designed to be a short term financing vehicle. Security for the loans can include a lien on the equipment being financed, a mortgage, a revenue pledge, a letter of credit, cash collateral and, on rare occasion, a guarantee.